



**DEPARTMENT OF CONSERVATION
TWO YEARS ENDED JUNE 30, 2002**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2003-17
February 20, 2003
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

February 2003

The following problems were discovered as a result of an audit conducted by our office of the Department of Conservation.

Competitive bids were not solicited by the Missouri Conservation Commission Employees' Benefits Plan Board of Trustees for a three-year consulting services contract with a total cost of \$210,000. Department of Conservation (DOC) officials indicated that bids were not solicited because of personal experiences with the contracted company by one of the commission members. DOC officials responded that they agree bids are important and competitive bids were solicited in September 2002 for the plan's consulting services contract.

According to the DOC's records, the department paid approximately \$271,000 and \$256,000 in food costs during fiscal years 2002 and 2001, respectively. These food purchases do not include amounts reimbursed to employees through expense accounts. Some of these expenditures do not appear to be prudent uses of public monies and are not necessary to accomplish the mission of the department. During our review we noted:

- The DOC incurred costs of approximately \$46 per person to provide meals for 70 guests at a book signing at the Missouri Botanical Gardens.
- The DOC holds an annual luncheon for retirees of the department and their spouses for the purpose of updating information regarding insurance, benefits, and other topics. The DOC spent approximately \$4,100 and \$3,700 for this function in fiscal years 2002 and 2001, respectively.
- The DOC paid approximately \$2,900 for the December 2000 employee Christmas luncheon for Central Office staff. The costs of the 2001 employee Christmas social were paid by department employees.
- The DOC held an Open Lands Initiative meeting during fiscal year 2001 for area farmers, which included a meal with a total cost of approximately \$1,300.
- Some expenditures reviewed lacked adequate supporting documentation, such as lists of attendees and documentation of the business purpose of justification for providing the meal.

In fiscal year 2003, the department adopted a new policy regarding department provided food expenditures.

(over)

YELLOW SHEET

The audit also questioned costs associated with an Instructor Training Course held by the DOC at a resort at the Lake of the Ozarks. This course included 19 staff members domiciled in Jefferson City. Meals and lodging totaled approximately \$19,700 for the five-day training. Of this amount, approximately \$4,200 was related to lodging and evening meal costs for the Jefferson City staff that were in attendance and for twenty supervisors and directors who attended an evening meal but did not incur any lodging costs. This amount does not include mileage costs to Osage Beach from Jefferson City. Bidding consideration was only given to locations in Osage Beach.

Several DOC employees attended an eight-day conference in St. Louis, incurring lodging costs totaling approximately \$30,800. According to the billing statement from the hotel, individual billings varied widely; however, detailed invoices for each individual were not maintained.

The DOC expended approximately \$60,000 during the two years ended June 30, 2002, on items classified as recognition awards, including volunteer service awards and service pins and plaques for department employees. Additionally, the department spent approximately \$25,000 in fiscal year 2001 for exercise equipment.

DOC policy allows employees to use department owned boats and motors for personal use at no cost when such use does not interfere with department business needs for those boats. This practice conflicts with general department policy that specifies that state-owned property is to be used for business purposes only. Additionally, it appears unreasonable to allow assets purchased with taxpayer monies to personally benefit employees of the department.

The DOC maintains a fleet of approximately 1,300 on-road vehicles. While the DOC does create cost reports for each vehicle, vehicle usage logs are not maintained.

Other concerns were noted regarding the lack of a formal disaster recovery plan for the department's computer systems and the department's funeral leave policy.

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DEPARTMENT OF CONSERVATION

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Bob Holden, Governor
and
Conservation Commission
and
John Hoskins, Director
Department of Conservation
Jefferson City, MO 65102

We have audited the accompanying special-purpose financial statements of the Conservation Commission Fund of the Department of Conservation as of and for the years ended June 30, 2002 and 2001, as identified in the table of contents. These special-purpose financial statements are the responsibility of the department's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, other financing uses, and changes in cash and investments and the appropriations and expenditures of the Conservation Commission Fund of the Department of Conservation and are not intended to be a complete presentation of the financial position and results of operations of the Conservation Commission Fund of the department.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, other financing uses, and changes in cash and investments and the appropriations and expenditures of the Conservation Commission

Fund of the Department of Conservation as of and for the years ended June 30, 2002 and 2001, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 17, 2002, on our consideration of the department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for the purpose of additional analysis and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

An integral part of the department's funding comes from federal awards. Those federal awards are reported on in the State of Missouri Single Audit Report issued by the State Auditor's office. The single audit is conducted in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



Claire McCaskill
State Auditor

September 17, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Marty Beck
Audit Staff:	Mark Rodabaugh
	Marty Carter



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Bob Holden, Governor
and
Conservation Commission
and
John Hoskins, Director
Department of Conservation
Jefferson City, MO 65102

We have audited the special-purpose financial statements of the Department of Conservation as of and for the years ended June 30, 2002 and 2001, and have issued our report thereon dated September 17, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Department of Conservation are free of material misstatement, we performed tests of the department's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Department of Conservation, we considered the department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Department of Conservation and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

September 17, 2002 (fieldwork completion date)

Financial Statements

Exhibit A

DEPARTMENT OF CONSERVATION
 CONSERVATION COMMISSION FUND
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING
 USES, AND CHANGES IN CASH AND INVESTMENTS

	Year Ended June 30,	
	2002	2001
RECEIPTS		
Sales and use tax	\$ 90,545,178	88,085,276
Permit sales	28,916,832	28,533,848
Sales, rentals, and leases	8,582,570	7,552,499
Federal reimbursements	14,563,424	12,456,843
Interest	913,468	1,863,801
Donations, refunds, and miscellaneous	3,302,026	3,436,648
Total Receipts	146,823,498	141,928,915
DISBURSEMENTS		
Personal service	61,231,019	60,919,826
Employee fringe benefits	17,169,658	18,017,903
Operations	43,883,409	49,325,701
Capital improvements and acquisitions	16,257,854	22,702,378
Total Disbursements	138,541,940	150,965,808
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING USES	8,281,558	(9,036,893)
OTHER FINANCING USES		
Appropriations exercised by other state agencies	(1,005,821)	(1,614,169)
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER USES	7,275,737	(10,651,062)
CASH AND INVESTMENTS, JULY 1	17,082,777	27,733,839
CASH AND INVESTMENTS, JUNE 30	\$ 24,358,514	17,082,777

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DEPARTMENT OF CONSERVATION
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

		Year Ended June 30,					
		2002			2001		
		Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
CONSERVATION COMMISSION FUND							
Conservation Programs	\$	125,071,345	109,881,220	15,190,125	121,748,965	110,625,250	11,123,715
Statewide Repairs and Improvements		0	0	0	25,489,255	22,691,692	2,797,563
Construction		50,000,000	16,464,672	33,535,328 *	0	0	0
Total Conservation Commission Fund	\$	175,071,345	126,345,892	48,725,453	147,238,220	133,316,942	13,921,278

* Biennial appropriations set up in the current fiscal year are re-appropriations to the next fiscal year.

Supplementary Data

Schedule 1

MISSOURI DEPARTMENT OF CONSERVATION
COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,		
	2002	2001	2000
Salaries and wages	\$ 62,090,931	61,277,297	56,483,375
Benefits	4,834,207	4,535,245	3,766,831
Travel, in-state	1,979,578	2,020,610	2,222,901
Travel, out-of-state	260,114	299,624	280,576
Fuel and utilities	1,213,529	1,226,810	1,042,694
Supplies	11,561,115	11,844,685	11,087,640
Professional development	595,772	630,093	582,206
Communication service and supplies	1,369,444	1,221,456	1,157,150
Services:			
Health	0	154,201	130,871
Business	0	5,911,663	3,533,856
Professional	9,061,061	2,086,642	5,671,844
Housekeeping and janitorial	609,988	546,333	457,305
Maintenance and repair	1,466,927	0	0
Equipment maintenance and repair	0	835,135	583,507
Transportation maintenance and repair	0	810,180	992,899
Equipment:			
Computer	2,040,269	3,062,729	2,034,146
Educational	0	56,523	39,577
Electronic and photographic	0	686,296	670,304
Medical and Laboratory	0	20,364	38,973
Motorized	4,205,280	6,080,519	10,304,572
Office	170,729	555,781	549,331
Other	1,394,150	0	0
Specific use	0	968,637	915,453
Stationary	0	94,339	129,356
Property and improvements	15,892,428	22,233,739	23,920,976
Debt Service	0	0	78,035
Building lease payments	718,075	708,827	643,563
Equipment rental and leases	557,240	0	0
Equipment lease payments	0	386,826	308,028
Building and equipment rentals	0	0	47,999
Miscellaneous expenses	2,776,968	1,695,996	2,081,271
Refunds	183,224	96,668	104,036
Program distributions	3,364,864	3,269,723	2,542,950
Total Expenditures	\$ <u>126,345,892</u>	<u>133,316,942</u>	<u>132,402,224</u>

Note: Certain classifications of expenditures changed during the three-year period, which may affect the comparability of the amounts.

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 2

DEPARTMENT OF CONSERVATION
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
TWO YEARS ENDED JUNE 30, 2002

	<u>Equipment</u>	<u>Buildings</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Total General Fixed Assets</u>
BALANCE, July 1, 2000	\$ 72,728,823	53,975,172	292,064,079	22,369,454	441,137,528
Adjustments	0	0	(833,142) ⁽¹⁾	0	(833,142)
Additions	10,113,429	6,928,214	3,037,356	891,121	20,970,120
Dispositions	<u>13,756,737</u>	<u>166,990</u>	<u>9,950</u>	<u>6,650,121</u>	<u>20,583,798</u>
BALANCE, June 30, 2001	69,085,515	60,736,396	294,258,343	16,610,454	440,690,708
Adjustments	0	0	(150,300) ⁽²⁾	(2,808,504) ⁽³⁾	(2,958,804)
Additions	6,190,340	5,029,522	3,603,382	2,930,825	17,754,069
Dispositions	<u>5,989,785</u>	<u>186,237</u>	<u>50,594</u>	<u>4,885,822</u>	<u>11,112,438</u>
BALANCE, June 30, 2002	<u>\$ 69,286,070</u>	<u>65,579,681</u>	<u>297,660,831</u>	<u>11,846,953</u>	<u>444,373,535</u>

(1) Adjustment for interest capitalized in previous years.

(2) Land value adjusted from the issuance of an easement.

(3) Adjustment to remove infrastructure originally recorded as construction in process.

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Notes to the Financial Statements and Supplementary Data

DEPARTMENT OF CONSERVATION
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the Conservation Commission Fund of the Department of Conservation.

Receipts, disbursements, other financing uses, and changes in cash and investments are presented in Exhibit A for the Conservation Commission Fund. Appropriations from this fund are expended by or for the department for restricted purposes.

Appropriations, presented in Exhibit B, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related fund but are used only to account for and control the department's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the department and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statement of Receipts, Disbursements, Other Financing Uses, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Appropriations and Expenditures, Exhibit B, is presented on the state's legal budgetary basis of accounting. For years ended on or after June 30, 2001, expenditures generally consist of amounts paid by June 30, with no provision for lapse period expenditures unless the Office of Administration approves an exception. Amounts encumbered at June 30 must be either canceled or paid from the next year's appropriations.

However, the General Assembly may authorize continuous (biennial) appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year. Therefore, such appropriations have no lapsed balances at the end of the first year.

The cash basis of accounting and the budgetary basis of accounting differ from accounting principles generally accepted in the United States of America. Those

principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The department administers transactions in the Conservation Commission Fund. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

This fund controls the monies collected and expended by the department within the restrictions imposed by the Missouri Constitution, Article IV, Section 43(b). Appropriations are made from this fund by the General Assembly to control, manage, restore, conserve, and regulate birds, fish, game, forestry, and wildlife resources of the state and to administer the related laws.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in health and optional life insurance plans provided by the department, and the state's cafeteria and deferred compensation and deferred compensation incentive plans. Effective January 1, 2000, the Conservation Commission established the Conservation Employees' Benefits Trust Fund to provide health and life insurance plans for the department. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. The deferred compensation plan involves employee payroll deferrals and the deferred compensation incentive plan a monthly state contribution for each employee who participates in the deferred compensation plan and has been employed by the state for at least one year.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement and long-term disability benefits); social security and medicare taxes; basic life insurance; health care premiums; and the deferred compensation incentive amount.

Employee fringe benefits in the financial statement at Exhibit A are primarily the transfers and payments from the Conservation Commission Fund for costs related to salaries and insurance paid from that fund. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit B.

2. Cash and Investments

The balance of the Conservation Commission Fund is pooled with other state funds and invested by the state treasurer.

Trust account monies are combined with regular monies to make up the total balance available in the Conservation Commission Fund. At June 30, 2002 and 2001, trust accounts totaled \$1,111,200 and \$1,295,630 respectively, and represented donated funds restricted for development, maintenance, and/or purchase of land.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit B as follows:

		Conservation Commission Fund	
		Year Ended June 30,	
		2002	2001
DISBURSEMENTS PER EXHIBIT A	\$	138,541,940	150,965,808
Employee fringe benefits		(12,187,402)	(12,046,048)
Unidentified difference		(26,064)	(1,628,722)
Payroll timing adjustments:			
2002		2,393,970	0
2001		(2,376,552)	2,376,552
Payroll and lapse period adjustments:			
2000		0	(6,350,648)
EXPENDITURES PER EXHIBIT B	\$	126,345,892	133,316,942

4. Appropriations Exercised by Other State Agencies

The Missouri General Assembly makes certain appropriations from the Conservation Commission Fund for personal services, expense and equipment, and programs administered by other state agencies. Expenditures charged to these appropriations and transfers from the fund for associated fringe benefits during the fiscal years 2002 and 2001 were:

		Year Ended June 30,	
		2002	2001
Office of Administration			
Insurance and legal expense	\$	292,434	974,779
Worker's compensation		58,497	40,881
Unemployment insurance		111,444	64,101
Office of State Auditor		38,460	39,920
Department of Revenue		504,986	494,488
Total	\$	1,005,821	1,614,169

Note to the Supplementary Data:

5. General Fixed Assets

- A. The investment in general fixed assets at June 30, 2002 and 2001, was from the following funds:

		June 30,	
		2002	2001
Conservation Commission Fund	\$	443,470,168	439,761,100
General Revenue Fund-State		903,367	929,608
Total	\$	444,373,535	440,690,708

- B. Except as noted, general fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group. Properties obtained through donation are capitalized at appraised value. Beginning in fiscal year 2002, the department began depreciating general fixed assets in accordance with the State of Missouri's reporting requirements under GASB 34. General fixed assets are depreciated on a straight-line basis using various useful life classifications and a salvage value of zero. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized along with other general fixed assets. Also not capitalized are certain improvements including hatchery pools, wetland development, and other expenditures to prepare land purchased for its intended use.

Accumulated depreciation on equipment and buildings at June 30, 2002, was \$53,492,275 and \$26,385,473 respectively.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report-
State Auditor's Findings

DEPARTMENT OF CONSERVATION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of the Department of Conservation (DOC) as of and for the years ended June 30, 2002 and 2001, and have issued our report thereon dated September 17, 2002.

The following Management Advisory Report presents our findings arising from our audit of the department's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered all-inclusive of areas needing improvement.

1. Food Costs

The department should make an effort to reduce expenditures for food costs and redirect these resources to conservation activities. According to the department's records, the department paid approximately \$271,000 and \$256,000 in food costs during fiscal years 2002 and 2001, respectively. These food purchases represent amounts billed to the department from various food service providers and do not include amounts reimbursed to employees through expense accounts; however, some of these expenditures would have been reimbursable to employees on travel status.

During our review of food expenditures we noted the following:

- Some expenditures reviewed lacked adequate supporting documentation, such as lists of attendees and documentation of the business purpose or justification for providing the meal. Failure to require adequate supporting documentation reduces the ability to monitor the validity and necessity of expenditures.
- The DOC incurred costs of approximately \$46 per person to provide meals for 70 guests at a book signing at the Missouri Botanical Gardens. The Missouri Botanical Gardens determined the guest list for the event.
- The DOC holds an annual luncheon for retirees of the department and their spouses for the purpose of updating information regarding insurance, benefits, and other topics. The DOC spent approximately \$4,100 and \$3,700 for this function for fiscal years 2002 and 2001, respectively.
- The DOC paid approximately \$2,900 for the December 2000 employee Christmas luncheon for Central Office staff. The 2001 employee Christmas social was funded from the canteen fund and included carry in dishes from employees.

- The DOC held an Open Lands Initiative meeting during fiscal year 2001 for area farmers, which included a meal with a total cost to the DOC of approximately \$1,300. Supporting documentation reflected that meals were provided to approximately 135 adults and 20 children. DOC personnel indicated the meal was provided as a marketing tool to encourage attendance. The DOC purchased approximately 50 more meals than needed for the event even after requiring participants to RSVP. The leftover food was consumed at a Private Lands Division meeting held two days later.
- During a January 2002 Commission meeting, dinner was provided at an approximate cost of \$28 per person. Meals were served to the Commissioners, seven other department employees, and three guests.
- Lunch was provided to six DOC employees and thirty-four teachers during a teachers workshop held in July 2001. The cost of this luncheon was approximately \$18 per person.

These expenditures do not appear to be prudent uses of public monies and are not necessary to accomplish the mission of the department. During the audit period, the department did not have a written policy regarding agency provided meal expenses at meetings and other departmental functions, including those held within the employees' official domiciles. A new policy was implemented during fiscal year 2003 regarding department provided food expenditures, although we were unable to determine the effect the new policy will have on expenditures such as those noted above.

WE RECOMMEND the department maintain adequate supporting documentation for food expenditures and ensure expenditures are reasonable and necessary to the mission of the department.

AUDITEE'S RESPONSE

A new policy covering agency provided food was initiated in fiscal year 2003 that clearly establishes guidelines for providing meals in conjunction with meetings. The department will continue to ensure that all expenditures for meals are for a specific business purpose and reasonable and necessary in amount.

2.

Expenditures

- A. The DOC held an Instructor Training Course at a resort at the Lake of the Ozarks. This course included 19 staff members domiciled in Jefferson City. Meals and lodging totaled approximately \$19,700 for the five-day training. Of this amount, approximately \$4,200 was related to lodging and evening meal costs for the Jefferson City staff that were in attendance and for twenty supervisors and directors who attended an evening meal but did not incur any lodging costs. This

amount does not include mileage costs to Osage Beach from Jefferson City. Bidding consideration was only given to locations in Osage Beach.

According to DOC officials, this training requires that all attendees remain at the location because of the length and intensity of the training. However, the agenda for this training did not indicate any activities outside the hours of 8 AM to 5 PM on any of the days. Had this training been held in Jefferson City, expenditures for lodging, mileage, and some, if not all, meals would not have been incurred for Jefferson City staff.

- B. Competitive bids were not solicited by the Missouri Conservation Commission Employees' Benefits Plan Board of Trustees for a three-year consulting services contract with a total cost of \$210,000. DOC officials indicated that bids were not solicited because of personal experience with the contracted company by one of the commission members. The Employees' Benefits Plan was established by the Conservation Commission and the Trustees to provide benefits to employees and retirees of the DOC. The Employees' Benefits Trust Fund is funded by the Conservation Commission Fund and member contributions.

Section 34.040, RSMo 2000, requires all purchases in excess of \$3,000 to be competitively bid. Formal, competitive bidding procedures for major purchases provides a framework for economical management of the DOC resources and helps ensure the DOC receives fair value by contracting with the lowest and best bidders. Competitive bidding also ensures all interested parties are given an equal opportunity to participate in the state's business.

- C. Adequate supporting documentation was not maintained for lodging costs associated with attendance at a National Fisheries conference in St. Louis. Several DOC employees attended this eight-day conference in St. Louis, incurring lodging costs totaling approximately \$30,800. According to the billing statement from the hotel, individual billings varied widely for each individual; however, detailed invoices for each individual were not maintained.

All disbursements should be supported by vendor-provided invoices. Such documentation is necessary to ensure the purchase is a proper and reasonable expenditure of public monies.

- D. The DOC expended approximately \$60,000 during the two years ended June 30, 2002, on items classified as recognition awards. Expenditures charged to this classification include volunteer service awards and service pins and plaques for department employees, with costs for individual items exceeding \$100 in some cases. We noted one expenditure of approximately \$10,000 for service pins. Although the Office of Administration regulations allow for the purchase of

recognition awards, total costs incurred by the DOC for these items appears unreasonable. While we recognize there may be some benefit to employee moral through service awards, the DOC should evaluate whether the benefits justify the cost.

- E. The DOC spent approximately \$25,000 in fiscal year 2001 for exercise equipment. This equipment is located in a building on the grounds of the Central Office in Jefferson City. DOC officials indicated that the purchase was made as a part of the department's Wellness Program for employees. Additionally, they indicated that the equipment is used for the department's training academy for protection agents.

While the health and well being of employees is important, this does not appear to be a reasonable and prudent use of state monies. This expenditure appears to benefit only a limited number of DOC employees and does not appear necessary to support the mission of the department.

WE RECOMMEND the department:

- A. Review expenditures for future training sessions and ensure the costs are reasonable and necessary.
- B. Ensure the Board of Trustees obtains competitive bids for goods and services.
- C. Maintain adequate supporting documentation for expenditures.
- D. Reevaluate expenditures for recognition awards.
- E. Reevaluate expenditures for exercise equipment.

AUDITEE'S RESPONSE

- A. *This professional career development training is unique in nature and requires participants, within teams, to work in the evenings to prepare for the next day's training. Even though the evening time was not specifically listed on the agenda, it is an integral part of the success of this training. The cost is reasonable when compared to similar training offered by professional training organizations.*
- B. *The finding is for funds expended from fiduciary funds for which Chapter 34 does not apply. We do agree that bids are important, thus competitive bids were solicited in September 2002 for the Conservation Employees' Benefits Plan Trust Fund consulting services contract.*
- C. *The department will continue to maintain documentation for all expenditures in accordance with the Office of Administration's established rules and regulations.*

- D. *Employee recognition consists of honoring employees with a lapel pin beginning with the completion of 10 years of service. Employees are subsequently recognized for each 5 years of additional service with some employees completing 40-45 years of service. In addition, upon retirement employees receive an engraved plaque in honor of their career. These recognitions contribute to employee pride within the organization and help to account for the department's low employee turnover. The department receives tens of thousands of hours of volunteer service statewide annually from Hunter Education Instructors, Nature Center Volunteers, and 2000 Stream Teams. These volunteers annually perform essential duties that include training 30,000 hunter education students; litter and trash clean-up of thousands of sites; and thousands of hours of outdoor education and interpretation service. All volunteers serve without compensation and in turn are recognized with very nominal awards for the hours contributed.*
- E. *The department constantly monitors the health and wellness of its employees in an effort to control the rising cost of health care. Substantial savings in medical expenses are possible by encouraging employees to participate in a physical fitness program.*

3. Personal Use of State Property
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DOC policy allows employees to use department owned boats and motors for personal use at no cost when such use does not interfere with department business needs for those boats. However, general department policies and guidelines specify that state-owned property is to be used for business purposes only. The department has numerous boats which are used for ongoing operations of the department and for public rentals at various areas throughout the state.

This practice exposes the department and the State of Missouri to unnecessary potential liability and conflicts with general department policy. Additionally, it appears unreasonable to allow assets purchased with taxpayer monies to personally benefit employees of the department.

WE RECOMMEND the department discontinue the policy that allows employees the use of department owned boats for personal use.

AUDITEE'S RESPONSE

We do not concur with the recommendation. Employees will continue to be encouraged to spend off-duty time on the streams and lakes of the state to enhance their appreciation of the resources that the department safeguards. In addition, they would be expected to report any personal observations of activity or conditions causing damage to the resource.

4.**Vehicle Logs**

Vehicle usage logs are not maintained for department vehicles. The DOC maintains a fleet of approximately 1,300 on-road vehicles. These vehicles are assigned throughout the department and at various locations throughout the state. The DOC does create cost reports for each vehicle but those reports do not indicate the specific use of the vehicles.

Vehicle usage logs documenting information regarding use should be maintained for all vehicles and periodically reviewed to ensure vehicles are properly used for business purposes. In addition, the Office of Administration's (OA) Guidelines, Policy SP-4 provides that, "Vehicle usage logs must be maintained for each state vehicle and include the following information: name of driver, date(s) used, beginning and ending odometer readings, destination and purpose of use."

The department should establish standard and consistent documentation for recording vehicle usage throughout the department.

WE RECOMMEND the department maintain mileage logs for all on-road department vehicles as required by OA policy. These logs should be periodically reviewed for propriety.

AUDITEE'S RESPONSE

All department vehicles by Commission policy must be used strictly for official department business. The use of department vehicles is controlled through the normal supervisory chain of command.

5.**Disaster Recovery Plan**

The DOC does not maintain a formal written disaster recovery plan to be used in the event of a fire or some other type of disaster. The department relies heavily on mainframe computer systems for various department applications. Significant interruption in the systems' operations could slow or stop specific functions resulting in confusion and delays.

A formal disaster recovery plan should specify recovery actions required to reestablish critical computer operations. In the case of a disaster, such documentation can reduce confusion and provide a framework for the uninterrupted continuance of operations. Once a disaster recovery plan has been developed and approved, it should be periodically tested and reviewed.

WE RECOMMEND the department develop a formal written disaster recovery plan which is periodically tested and reevaluated.

AUDITEE'S RESPONSE

The department will determine the need to formalize its disaster recovery plan based on the new technology favoring local area network applications rather than the traditional mainframe applications.

6. Funeral Leave Policy

DOC policy allows supervisors to authorize paid time off and travel expenses for employees to attend funerals for department staff and their immediate families. Department personnel indicated this does not occur frequently; however, the DOC does not track the costs of this benefit and therefore cannot determine the overall expense to the department.

Expenditures of this nature are personal in nature, do not appear to be a reasonable and prudent use of public monies, and do not appear necessary to accomplish the mission of the department. In addition, Section 36.350, RSMo 2000, provides that state regulations shall contain provisions for various types of leave and that such regulations shall apply to all state agencies. The Code of State Regulations at 1CSR 20-5.020, provides for absences due to bereavement for certain members of state employees' families and that other absences due to the death of loved ones shall be charged to annual leave. However, there is no authorization to allow paid time off and travel expenses for employees to attend funerals for department staff and their immediate families.

WE RECOMMEND the department review the reasonableness and necessity of this policy.

AUDITEE'S RESPONSE

The department continues to believe that this expression of compassion shown to fellow employees during the loss of a family member is a valuable support to a co-worker. In addition, supervisors approve all requests for this type of leave and closely monitor its use to ensure no abuse occurs.

7. Oversight of Land Acquisition, Capital Improvements, and Related Programs

A separate audit was performed to review the DOC's oversight of land acquisitions and related projects and programs. This separate audit report (report number 2002-108) was issued October 3, 2002, and concluded department officials need to improve (1) budget planning efforts, (2) oversight over private organizations, and (3) the strategic planning process. Recommendations concerning these issues were included in that report and are not repeated in this report.

This report is intended for the information of the management of the Department of Conservation and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

DEPARTMENT OF CONSERVATION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Department of Conservation on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended June 30, 2000. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the department should consider implementing those recommendations.

1. Credit Union Lease Agreement

The lease agreement between the department and the Conservation Employees' Credit Union may violate federal and state laws. The department entered into an agreement to lease land to the credit union for an annual fee of one dollar. The credit union constructed a new office building on the land. DOC personnel indicated the land was purchased with license fees.

Recommendation:

The department discuss and resolve this situation with the appropriate federal agency. In addition, the department should request an Attorney General's opinion to determine whether the credit union lease agreement violates state laws.

Status:

Not implemented. In response to this recommendation, the DOC had indicated that the department's legal counsel reviewed the agreement and determined that the department was in compliance with state and federal regulations. They further stated that this employee benefit was an allowable expenditure for conservation purposes. The DOC's position has not changed. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Vehicle Utilization

Vehicles purchased by the department were not placed in service on a timely basis.

Recommendation:

The department place vehicles in service on a timely basis.

Status:

Partially implemented. The department has made improvement with placing vehicles in service on a timely basis; however, some delays were still noted. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Food Costs

The department lacked a comprehensive policy regarding agency provided meal expenses at meetings and other departmental functions, including those held within the employees' official domiciles.

Recommendation:

The department develop a comprehensive policy regarding food purchases, particularly in the employees' official domiciles, in an effort to control and reduce expenditures in this area.

Status:

Implemented. Effective September 2002, a policy on food expenditures was implemented; however, we were unable to determine the effect the policy will have. See MAR finding number 1 for related comments.

4. Special Investigation Account Controls

Requests to replenish the special investigation checking account were not made on a timely basis, and as a result, monies were not deposited in time to pay credit card statements by the due date.

Recommendation:

The department establish procedures to pay the balance due on credit card statements on a timely basis.

Status:

Implemented.

5. Information System Access Controls

The department had not developed criteria for determining who was allowed to access SAM II, the purpose and level of the access, and who determined and granted the access. In addition, there were no policies for documenting and reporting management authorization of new access, changes to existing access, or removal of access when an employee terminated or transferred.

Recommendation:

The department develop security standards to document the criteria to be followed for granting, maintaining, and monitoring access to SAM II.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and Statistical Information

DEPARTMENT OF CONSERVATION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Department of Conservation is constitutionally created pursuant to Article IV, Sections 40(a) and 46. The general functions of the department are to control, manage, restore, conserve, and regulate all bird, fish, game, forestry, and wildlife resources of the state. At June 30, 2002, the department owned 774,040 acres of land in the state.

The department is headed by a four-member bipartisan commission, appointed by the Governor with the advice and consent of the Senate. They serve without compensation for staggered six-year terms. The commission members at June 30, 2002, were:

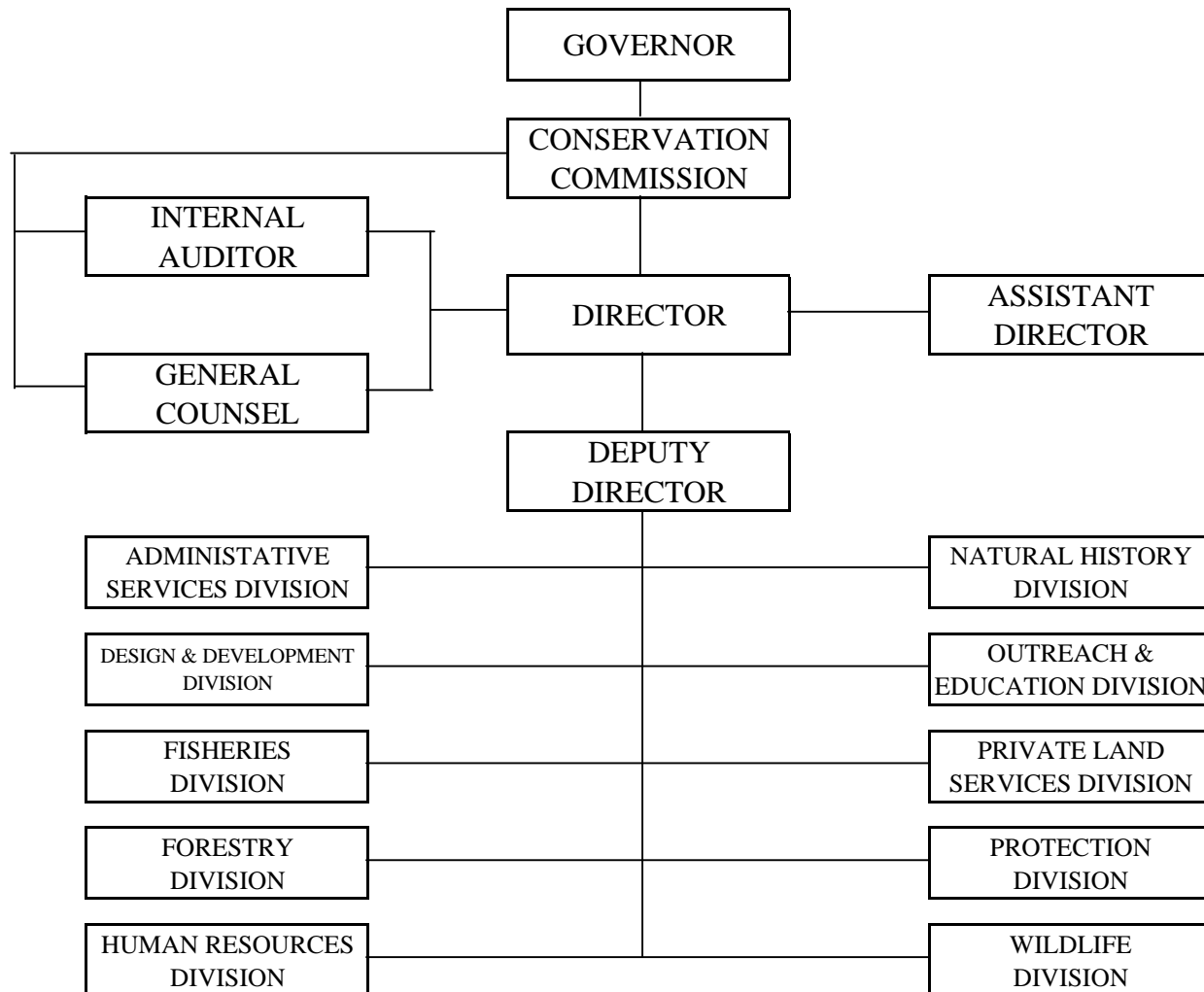
<u>Commissioner</u>	<u>Term Expires</u>
Stephen Bradford	July 1, 2007
Anita B. Gorman	July 1, 2005
Cynthia Metcalfe	July 1, 2007
Howard L. Wood	July 1, 2003

The commission appoints a director who serves as the administrative officer of the Department of Conservation. The director appoints other employees and is assisted by a deputy director with programs carried out by the divisions of fisheries, wildlife, forestry, protection design and development, outreach and education, administrative services, private land services, natural history, and human resources. An assistant director provides leadership for special projects and initiatives as assigned by the director: notably legislative liaison, partnerships with other entities, etc.

Jerry Conley was appointed Director on January 1, 1997, and retired from this position effective June 30, 2002. John Hoskins was appointed Director effective July 1, 2002. At June 30, 2002, the department employed approximately 1,540 full-time and 440 part-time individuals.

An organization chart follows.

DEPARTMENT OF CONSERVATION
ORGANIZATION CHART
JUNE 30, 2002



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